



Community Investment Tax Credit

Program Evaluation – Executive Summary

December 2016

BACKGROUND

CITC was signed into law in 2012 with the objective of supporting high-impact, resident-led community economic development initiatives through a strategic, market-based approach that leverages private contributions and builds strong local partnerships. CITC offers individuals, corporations, and nonprofit institutions the opportunity to obtain a 50% refundable Massachusetts tax credit while investing in the development of the communities that need help most. CITC was designed to expand funding resources and enable local residents and stakeholders to partner with community development corporations to improve economic opportunities for low to moderate income households and communities across Massachusetts. The program started with 36 certified Community Development Corporations in 2014 and grew to 49 participating CDCs in 2015.

CITC was launched in January 2014 for a period of 6 years; the Commonwealth made available \$3 million in tax credits the first year, increasing to \$6 million for each subsequent year. The program is administered by the Massachusetts Department of Housing and Community Development (DHCD), which certifies community development corporations (CDCs) as Community Partners, solicits and reviews applications, and determines credit allocations. United Way of Massachusetts Bay (UWMB) was selected by DCHD to administer the Community Partnership Fund, which solicits both designated and general donations and allocates these donations to Community Partners. Community Partners have the option to transfer their credits to UWMB to seek donations on their behalf. Capacity building and technical assistance is provided by the Massachusetts Association of Community Development Corporations (MACDC) and Local Initiatives Support Corporation (LISC) Boston, the two designated Community Support Organizations (CSOs).

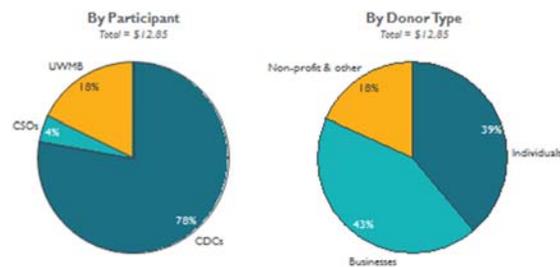
In just under three years, the CITC program has had a significant impact on the Massachusetts CDC sector by creating a growing, flexible funding stream that has helped to strengthen a diverse range of CDCs and benefit the communities in which they work.

FUNDRAISING

The CDCs, UWMB, and CSOs have achieved meaningful fundraising success in the first two years of the CITC program.

- In calendar years 2014-15, a total of \$12.85 million was raised¹ out of a potential \$18 million. The program demonstrated significant growth between its first and second years: in 2014, CITC raised \$4.71 million from 1,013 individual donations; in 2015, it raised \$8.14 million from 1,523 donations, with CDCs and donors participating statewide.
- During this time, CDCs directly raised \$9.99 million, and the CSOs raised \$560,000. UWMB raised \$2.47 million in calendar years 2014-15, the most of any single entity.²

Funds Raised by Participant & Donor Type
2014-2015, \$ Millions



¹ This and all other data in this report, unless otherwise noted, reflects total fundraising in the calendar year, which was the primary method of tracking donations used by DHCD; additional funds may have been received in each subsequent calendar year that were applied to prior year credits, as noted below.

² Per UWMB audited data. As of Nov. 15, 2016, UWMB had raised a total of \$2.87M with allocation year 2014-15 credits, including \$1.38M for 2014 and \$1.49M for 2015, of which they distributed \$2.67M to CDCs and CSOs.

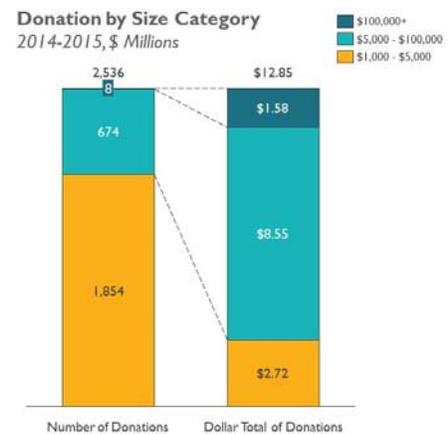
- CDCs raised significantly more in 2015 than in 2014, growing from \$3.52 million to \$6.48 million. The original CDCs alone increased their fundraising from \$3.52 million to \$5.49 million (56% growth), with 13 newly participating CDCs raising an additional \$1 million.

CITC is notable for the range of donors, donation size, and geographies from which it has drawn new and ‘repeat funders’ year-over-year.

- **Donor Type.** Donors fell into a variety of categories: individuals who have a personal or professional relationship with a CDC, businesses who are active partners with a CDC, donors who direct donations through donor-advised funds, private foundations, financial service companies and banks, and donors who are introduced to the work of a CDC through a donor advisor.

Overall, businesses donated the most through CITC, representing \$5.48 million of the \$12.85 million raised in 2014-2015. Individuals donated nearly as much, \$5.01 million. Other donors, including foundations and nonprofit organizations, contributed the remaining \$2.36 million.

- **Size of Donation.** Over 70% of donations in both years were \$5,000 or less. Donations of \$5,000-\$100,000 were critical to the program’s success, contributing two-thirds of the total dollars. There were eight donations over \$100,000 in 2014-2015; UWMB secured the largest single donor to date – a corporate donor who gave \$800,000 over two years. Donations of all sizes increased over the first two years of the program.



- **Repeat Donors.** Based on self-reported data, approximately 40% of 2014 donors were repeat donors to the receiving entity. Nearly 3/4 of these donors kept the “CITC Promise” and doubled (or more) their donations in 2014 relative to the prior year. With program growth and increased donor retention, the number of repeat donors more than doubled over the first two years.
- **New Donors.** Based on self-reported data, 1,316 new donors made donations to one or more receiving entities through the program in 2014-2015. This includes 1,002 who gave to CDCs (nearly half of CDC donors) and 278 who gave through UWMB (more than 2/3 of UWMB donors).
- **Geography.** Most donations came from within Massachusetts, but nearly \$650,000 came from out of state, including both business and individual donors. Both the CSOs and UWMB received statewide donations, though these were heavily concentrated in Eastern MA, and a few major gifts were limited to distribution in that geography.

IMPACT ON CDC CAPACITY AND PROGRAMS

In the first two years of CITC, CDCs have begun to achieve many of the program’s goals, including increased staff capacity, deepened community engagement and expansion of strategic programs.

- The majority of CDCs reported that they were able to **improve their internal organizational capacity** which included expansion of program staff and deepened board engagement; they have also sustained, stabilized and expanded ongoing efforts, including **community organizing**.
- **CITC has supported new, expanded and diversified programming** beyond affordable housing including financial assistance/asset building, adult education and ESOL, youth and arts programming, farmer’s markets, small business assistance, transportation, and health initiatives.

- **New partnerships were developed with nonprofits and businesses** such as Chambers of Commerce, community business associations, higher education, arts, and health care organizations.
- **CDCs improved marketing and communications** through website upgrades, communication campaigns, and working with the local media, and **diversified and grew their donor and supporter base** through new and expanded fundraising strategies and investment in fundraising infrastructure.

PROGRAM IMPLEMENTATION

Implementation of the program has evolved and improved significantly since launch. Early challenges with administration have subsided and the CDCs, CSOs and the UWMB have all become more effective in their strategic and day-to-day deployment of the program.

- **DHCD has effectively navigated the launch of a complicated program** and has fostered a positive interagency relationship with the Department of Revenue; enhanced public-private relationships with organizations such as the UWMB and expanded agency relations and visibility with CDCs.
- **MACDC and LISC Boston have actively supported the CDC partners through a variety of targeted activities**, most notably fundraising technical assistance, peer learning activities, program marketing, and Community Impact Plan development.
- **The UWMB has played a significant role attracting hundreds of new donors to the CDC sector**, enabled program participation for CDCs that lack fundraising capacity on their own, provided leverage and reach to CDCs across the state, hosted and joined many events and campaigns to create awareness and develop donors, and cultivated the largest donations to date.

RECOMMENDATIONS

There are a range of lessons learned through the early years of the program that suggest areas for improvement in program execution, coordination, and tracking.

- **Fundraising strategies.** Explore “marquee initiatives” focused on specific programmatic areas that might attract larger-scale donors across the state. Build CDC capacity through new CSO programs designed to promulgate best practices, formalize tools and systems, and expand collective efforts. Deepen understanding of donor segments and value proposition; develop strategies for cultivating repeat donors and increasing donations. Develop channel partners to identify and support donors, including financial institutions and advisors, foundations, and other intermediaries.
- **Collaboration with Community Partnership Fund.** Increase communication and data-sharing throughout the year among CDCs, CSOs, and UWMB on fundraising progress and donor development. Streamline process for and provide guidance on CDC credit allocations to UWMB, and work to optimize equity and impact of distributions back to the CDCs.
- **Strategic plan development and execution.** The CSOs should more proactively support CDCs in the development and implementation of high quality CIPs that are reflective of best practices, incorporate new initiatives that distinctly leverage the new, unrestricted funding, and define and plan to track key community impact metrics.
- **Data capture and management.** Standardize data capture, definitions and reporting across CDCs, CSOs and UWMB to increase data quality and consistency. Create unique donor identifier that will enable analysis of new vs. returning donors, and donors who give to multiple receiving entities. Improve validation/capture of prior year non-CITC donations.